1.3 EXECUTIVE SUMMARY

PURPOSE STATEMENT

"The purpose of the Emnambithi/Ladysmith Municipality is to provide a well serviced, safe, healthy and economically viable environment that enables all residents to take action so that all communities enjoy a high quality of life"

This purpose statement has formed an integral part of all activities undertaken within the Municipality. All major programmes and priority projects are aligned to the purpose statement.

VISION

"By 2021, Emnambithi/Ladysmith will be KZN's vibrant, industrial, commercial, trade and tourism inter-link, where all residents enjoy a prosperous, caring, safe and secure environment which promotes cultural diversity "

The current vision and the mission statement of Emnambithi /Local Municipality place emphasis on providing the local communities with quality services that will contribute in improving their quality of life. This is also linked to the type of projects that the Municipality has identified for the 2008/9 financial year. In order for the Municipality to realize the aims and objectives embodied in the above mentioned vision and mission statement, it has put emphasis on partnerships that would attract investors to provide support on local economic development projects, tourism, infrastructure development and other development projects that place great emphasis on the principles of Accelerated Shared Growth and Development in South Africa as well as the Expanded Public Works Programme.

The municipality's main goal is to improve the quality of life of the people through provision of free basics services and increasing the delivery of services provided by the Municipality.

The key priority areas of the Municipality are:

- Housing
- Solid Waste Management
- Health Management
- Roads
- Spatial Planning
- Community Facilities
- Safety and Security
- Electricity
- Economic Growth
- Poverty Alleviation
- Job Creation
- Financial Management and Viability
- Organisational Design
- Employment Equity
- Skills Development
- Integrated Development Planning
- Performance Management
- Public Participation
- Ward Systems
- Corporate Governance

INTRODUCTION TO THE ANNUAL REPORT

The promulgation of the Municipal Finance Management Act (MFMA) marked the completion of the transformation of the local government sphere at the legislative level. The Act was designed with the intention of modernising budgeting and financial management, while concurrently promoting transparency and accountability in municipal finance.

The Municipal Systems Act (as amended) (MSysA) requires municipalities to prepare annual performance reports, based on the approved Integrated Development Plan. The MFMA and MSysA, read together, seek to promote financial and performance reporting by municipalities in a single and integrated annual report. The annual report is also an instrument for financial and performance corrective action in subsequent years.

The rigorous requirement for preparation and adoption of financial statements, performance reports and the annual report as a whole is intended to enhance transparency, accountability and good governance.

In terms of section 121(1) of the MFMA, every municipality and municipal entity must prepare an annual report for each financial year. The purpose of an annual report, pursuant to section 121(2), is to provide a record of activities, report on performance against the budget and promote accountability to the local community for the decisions made throughout the year.

Table 1.1 Legislative requirements in terms of MFMA

Section	Requirement	Legislative Provision	Legislative Compliance
121(3)(a)	Annual financial statements of the municipality	Annual Financial Statements of the municipality	Yes Chapter
121(3)(b)	Auditor-General's audit report	Auditor-General's audit report in terms of S 126(3) on those financial statements	Yes
121(3)(c)	Annual performance report	Annual performance report of the municipality prepared by the municipality in terms of S 46 of the Municipal Systems Act	Yes
121(3)(d)	Auditor-General's audit report	Auditor-General's audit report in terms of performance audit section 45(b) of the Municipal Systems Act	Yes

121(3)(e)	Accounting Officer's assessment on arrears	Assessment by the municipality's accounting officer of any arrears on municipal taxes and service charges	Yes
121(3)(f)	Accounting Officer's assessment of performance on each vote in the budget	Assessment by the municipality's accounting officer of the municipality's performance against performance on the measurable performance objectives referred to in section 17(3)(b) for each vote in the municipality's approved budget for the relevant financial year	Yes
121(3)(g)	Audit corrective actions	Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d)	Yes Chapter 4
121(3)(h)	Explanations to clarify financial statements	Explanations that may be necessary to clarify issues in connection with the financial statements	Yes
121(3)(i)	Other information	Information as determined by the municipality	Yes
121(3)(j)	Audit Committee Recommendations	Recommendations of the municipality's Audit Performance Committee	Yes
121(3)(k)	Other prescribed information	Other information as may be prescribed	N/a

Section 46(1) of the MSysA requires municipalities to prepare a performance report for each financial year setting out the performance of the municipality and external service providers, comparison of the performance with the targets set for and performances in the previous financial year and measures taken to improve performance. As shown above, the annual performance report must form part of the Annual Report. A high priority for 2008/2009 is compliance with Chapter 6 of the MSysA (including S46) by developing and implementing a Performance Management System for the Municipality.

The process for the adoption of the Emnambithi/Ladysmith Municipality's 2008/09 Annual Report is that it should be prepared in accordance with chapter 12 where possible and should contain information required by section 121. The Council is required to deal with the annual report within nine months after the end of the financial year, which is before 31 March 2010. This includes the adoption of an oversight report in accordance with S 129 (1) of the MFMA containing Council's comments on the Annual Report.

INTRODUCTION

The Annual Performance Report of the Emnambithi-Ladysmith Municipality is tabled in terms of section 121 of the Municipal Finance Management act, 55 of 2003 and section 46 of the Municipal Systems Act, 2000 as amended.

BACKGROUND

The purpose of an Annual Performance Report is to provide a record of the activities of the municipality, report on performance against the budget and promote accountability to the local community for the decisions made throughout the year.

Key legislative elements of the Annual Performance Report include as requested by the Auditor-general:

- The annual performance report of the municipality (S 46 MSyA) and Auditor-General's audit report on performance (S 45 (b) M SyA)
- An assessment by the Accounting Officer of the performance against the measurable performance objectives (S 17 (3) (b) MFMA)
- Details of corrective action taken or to be taken in response to issues raised in the audit reports

Section 46 of the Municipal Systems Act stipulates that -

"A municipality must prepare for each financial year a performance report reflecting –

- The performance of the municipality and of each external service provider during that financial year:
- A comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year: and
- Measures taken to improve performance
- An annual performance report must form part of the municipality's annual report in terms of Chapter 12 of the Municipal Financial Management Act."

The Municipal Performance Report mainly reflect on the performance of each department against set Key Objectives, Key Performance Areas and Annual Targets. The Municipal Performance Management Systems of the Municipality mainly consist of different tools for assessment and reporting.

The assessment and reporting of evaluation is based on the following areas:

- Municipal Performance Management Policy Framework which was adopted by council in 2008.
- The Service Delivery Budget Implementation Plan (SDBIP), which provides quarterly reports and are submitted to Exco
- Mid-year Performance report, informed by the evaluation of the section 57 employees and the head of departments
- Performance Report is developed to give credence against set performance targets and measures to improve performance
- Lastly, the annual report is developed as means to provide a holistic picture on the administrative, Human Resource and Financial position of the municipality.

ANNUAL PERFORMANCE PROCESS PLAN

The report further gives palpable progress about each department's performance for the period under review. The performance evaluation of each department is informed by the Departmental Score Card. The performance evaluation committee had conducted a performance of all heads of departments.

The Performance Management System Policy Framework makes provision for the auditing of performance by the Performance Audit Committee. The Performance Audit committee with the assistance of internal audit unit have undertaken a number of projects whereby departments have to provide evidence and give explanation for performance below par.

NATIONAL KEY PERFORMANCE INDICATORS

The Municipal report on National Key Performance Areas as reflected below shall provide a summary report on individual KPA performance:

Seq	KEY PERFORMANCE AREAS	ANNUAL TARGET	DEPARTMENT	ACHEIVEMENT	CORRECTIVE MEASURES
1	The percentage of households with access to basic level of ~~water~~, ~~sanitation~~, electricity and solid waste removal.	90% (Average)			
1.1	Electricity***	90%	ELECTRICITY	**85%**	Most of the remaining areas are under the service of ESKOM
1.2	Solid Waste Removal**	95%	ECONOMIC DEVELOPMENT	90%	Rural areas remain a challenge
2	The percentage of households earning less than R2100 per month with access to free basic services Electricity and solid waste management.	90% (Average)			
2.1	Electricity	90%	ELECTRICITY	**24%**	Eskom did not provide automatic indigent since the Municipality approved indigent by application
2.2	Waste Management	90%	ECONOMIC DEVELOPMENT		
3	The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan.	100%	FINANCE	100%	All grants have been committed
4	The number of jobs created through municipality's local economic development initiatives including capital projects.	200 JOBS	ECONOMIC DEVELOPMENT	+100 jobs	The global economic melt-don had an effect in future Local Economic Development ventures

Seq	KEY PERFORMANCE AREAS	ANNUAL TARGET	DEPARTMENT	ACHEIVEMENT	CORRECTIVE MEASURES
5	The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan.	85%	CORPORATE SERVICE	12 20 = 60%	Continually focus on targeted recruitment of designated candidates
6	The percentage of a municipality's budget actually spent on implementing its workplace skills plan.	90%	CORPORATE SERIVCES	70%	Increase number of annual training interventions
7	$A = \frac{B - C}{D}$ *Where:* "A" represents debt coverage "B" represents total operating revenue received "C" represents operating grants "D" represents debt service payments (i.e. interest redemption) due within the financial year;	Determines the ability to service own debt **Target:** A ration greater than 1 preferred	FINANCE	R340 212974-(R58964725 + R31809766) (R1724829+R1411064) = 79.54	N/A
	$A = \frac{B-C}{D}$ *Where:* "A" represent Liquidity position "B" represent total current Assets "C" self supporting loans "D" current liabilities	Determines the ability to meet short-term financial obligations: **Target:** A ratio greater than **1** is preferred	FINANCE	R146 347293-R18210448 R148513921-R1541288-R40735912 =1.20	N/A

Seq	KEY PERFORMANCE AREAS	ANNUAL TARGET	DEPARTMENT	ACHEIVEMENT	CORRECTIVE MEASURES
	$A = \frac{B}{C}$ *Where:* "A" represents outstanding services debtors to revenue "B" represents total **Outstanding Service Debtors/Total borrowing** "C" represents annual **Revenue Actually** received for services	The ratio is a measure of ability to service debt in any given year. **Target:** A ratio less than **0.6:1** is desirable	FINANCE	R20206458 R168351847 =0.12	N/A
	$A = \frac{B + C}{D}$ *Where:* "A" represents cost coverage "B" represents all **available cash** at a particular time "C" represents **investments** "D" represents monthly **fixed operating expenditure**		FINANCE	(R81886852 + R19537568 - R48335129 R16 000 000 = 3.31	N/A

MUNICIPAL FINANCIAL PERFORMANCE: THREE YEAR ANALYSIS

THE REPORT IN TERMS OF AG/MUNICIPAL REPORT

R' 000	07	08	09
OPER. INCOME			
RATES	R 86 463	R 94 114	R 87 889
SERVICES CHARGES	R 93 827	R 100 378	R 119 883
OPER. GRANTS	**R 41 484**	**R 45 505**	**R 60 703**
OTHER	R 22 262	R 24 042	R 37 032
TOTAL	**R 244 036**	**R 264 039**	**R 305 498**
OPER. EXPENDITURE			
EMPLOY. COSTS	R -64 693	R -73 455	R -80 200
COUNCILLOR. SALARIES	R -8 192	R -9 005	R -9 893
BULK PURCHASES	R -50 541	R -51 566	R -66 565
INTERESTS PAID	R -2 515	R -2 057	R -1 748
DEPRECIATION	R -17 506	R -20 482	R -18 240
OTHER	**R -94 019**	**R -102 934**	**R -101 437**
TOTAL	**R -237 466**	**R -259 499**	**R -278 083**
SURPLUS/DEFICIT	**R 6 570**	**R 4 540**	**R 27 415**

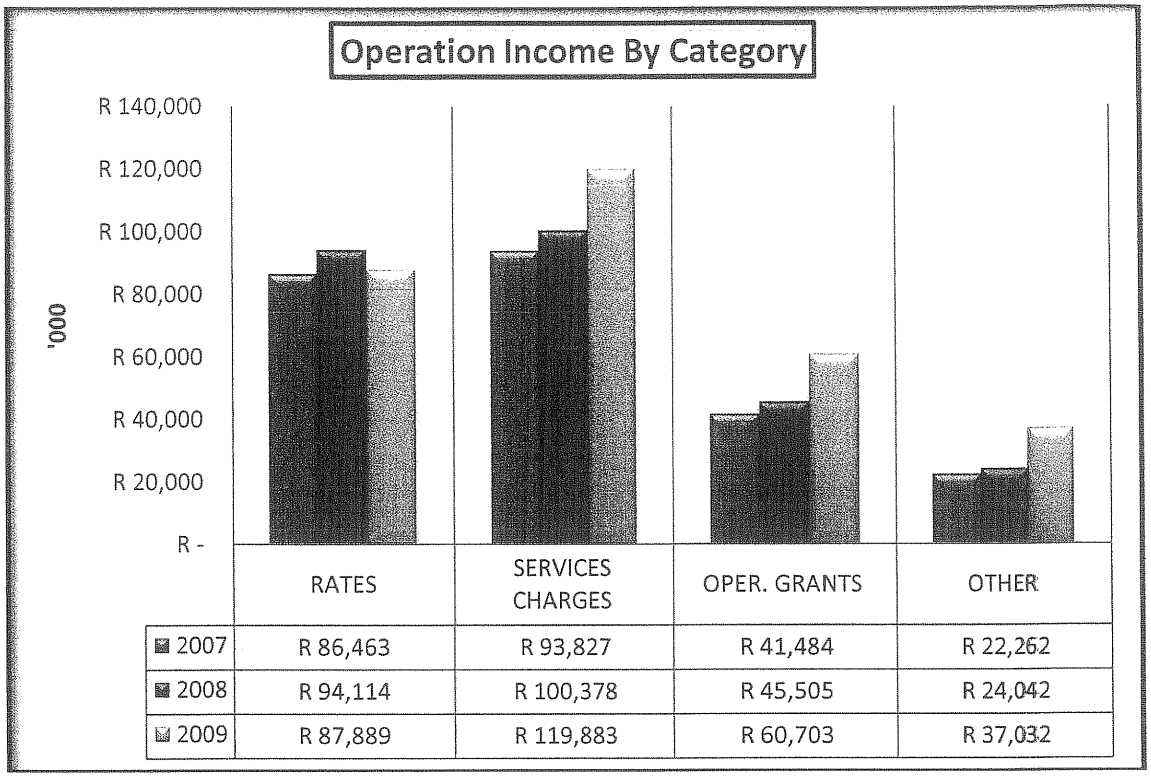
The above figures exclude income and expenditure for low cost housing as reflected below as reflected in the notes of the AFS.

The amount on low costs housing for the three periods is as follows:

GRANT	07	08	09
HOUSING	R 31 909 552	R 32 657 489	R 31 809 766

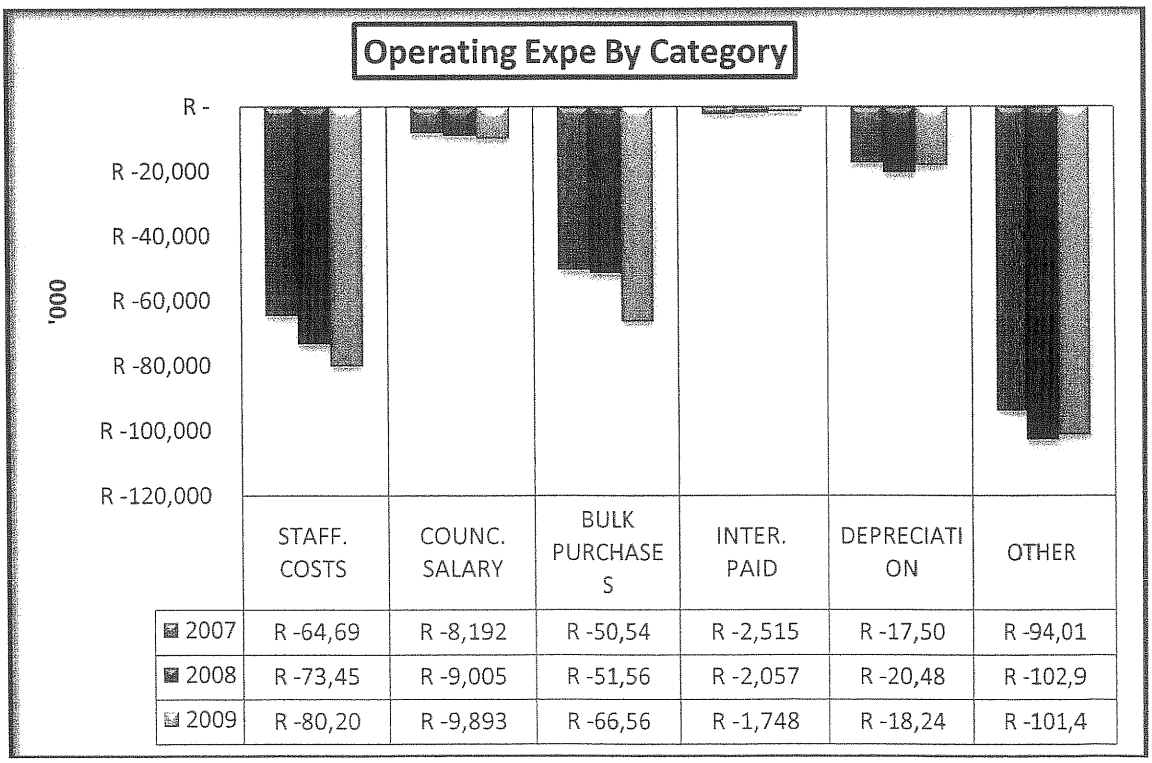
Areas for noting:

1. The Municipality's success to operate without an overdraft for the last three years Rather corded a surplus
2. Rates between 2008/2009 has decreased due to implementation of the MPRA
3. 90% plus record expenditure in MIG and other grants
4. Nil report on fruitless expenditure or mismanagement of funds by the Auditor-General
5. Did not reflect a negative report on the organization as a going-concern
6. Expenditure on low-cost housing remains a challenge.



	RATES	SERVICES CHARGES	OPER. GRANTS	OTHER
2007	R 86,463	R 93,827	R 41,484	R 22,262
2008	R 94,114	R 100,378	R 45,505	R 24,042
2009	R 87,889	R 119,883	R 60,703	R 37,032

Table: 1



	STAFF. COSTS	COUNC. SALARY	BULK PURCHASES	INTER. PAID	DEPRECIATION	OTHER
2007	R -64,69	R -8,192	R -50,54	R -2,515	R -17,50	R -94,01
2008	R -73,45	R -9,005	R -51,56	R -2,057	R -20,48	R -102,9
2009	R -80,20	R -9,893	R -66,56	R -1,748	R -18,24	R -101,4

Table: 2